

Message Text

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65

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 9462

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E.O. 11652: N/A

TAGS: EFIN MX

SUBJ: LABOR LEADER COMMENTS ON DEVALUATION

BEGIN UNCLASSIFIED:

1. FIDEL VELASQUEZ, SECRETARY GENERAL OF MEXICO'S UNION ORGANIZATION SAID ON AUGUST 9 THAT IF INFLATION WERE TO CONTINUE IN MEXICO AT CURRENT RATES A DEVALUATION WOULD BE NECESSARY. ONE OF HIS AIDES THEN SAID THAT DEVALUATION IN SENSE OF A LOSS OF PURCHASING POWER OF WORKERS, HAD ALREADY OCCURRED.

2. VELASQUEZ COMMENTS ADDED TO FLURRY OF NEWSPAPER STORIES ON POSSIBILITIES AND PROS AND CONS OF DEVALUATION. ATTEMPT TO SQUELCH VELASQUEZ COMMENTED FOR PRESS THAT OFFICIAL IN QUESTION DID NOT SPEAK FOR TREASURY, AND THAT IN ANY CASE, HE (VELASQUEZ) WAS NOT AFFIRMING THERE WOULD BE A DEVALUATION, BUT RATHER HAD EXPRESSED A FEAR THIS COULD HAPPEN.

3. GOM THEN GOT ITS BIGGER GUNS OUT AND NEWSPAPERS OF AUGUST 15, HEADLINED STORY TO EFFECT THAT SECRETARIES OF TREASURY, LABOR AND COMMERCE HAD AUTHORIZED VELASQUEZ TO TELL PRESS THAT THERE WILL NOT BE A DEVALUATION.

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VELASQUEZ'S PRESS RELEASE SAID THAT HE WAS ORIGINALLY

ONLY EXPRESSING HIS WORRIES AND THAT THE CTM WAS PLEASED THAT THE CONTROVERSY WAS ENDING SO HAPPILY AND THAT THE ADMINISTRATION HAD ACTED SO FIRMLY TO MAINTAIN THE PESO-DOLLAR PARITY. END UNCLASSIFIED.

4. COMMENT: INCIDENT REVEALS SENSITIVITY OF GOM TO DEVALUATION RUMORS AND UNDIMINISHED IMPORTANCE OF VELASQUEZ IN POWER APPARATUS OF COUNTRY. GOM HAS BEEN IGNORING MOST OF THE OTHER PUBLIC COMMENTARIES ON EXCHANGE RATE, BUT APPARENTLY BELIEVED IT COULD NOT IGNORE COMMENTS OF VELASQUEZ. IT THEN REQUIRED THREE CABINET MINISTERS TO CONVINCE HIM TO MAKE A RELATIVELY POSITIVE STATEMENT. LOCAL BANKER INFORMS US THAT DOLLAR SALES WERE UP SUBSTANTIALY IN FIRST FOUR DAYS OF THIS WEEK. NOT YET CLEAR IF VELASQUEZ STATEMENT WILL CALM MARKET, PARTICULARLY AS RECENT MOVEMENT OUT OF PESOS PROBABLY DUE TO VARIETY OF WORRIES.
JOVA

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